

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-12 FRB-01 INR-10 IO-14 NEA-10 NSAE-00 USIA-15
OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 PA-02 DOE-11 SOE-02 OES-07 AF-10
/150 W

-----091416 132034Z /53

R 131624Z MAR 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2229
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 1 OF 2 THE HAGUE 1330

USEEC ALSO FOR EMBASSY

USOECN ALSO FOR EMBASSY

E.O. 11652: NA
TAGS: ENRG NL
SUBJECT: LAST YEAR SAW A TEMPORARY DECLINE IN DUTCH NATURAL
GAS SALES

REF: (A) CERP 425 (VOLUNTARY), (B) 77 THE HAGUE A-003,
(C) 77 THE HAGUE 5741, (D) 76 THE HAGUE 5829

1. SUMMARY. DUTCH NATURAL GAS SALES DECLINED LAST YEAR FOR
THE FIRST TIME AND REFLECTED LOWER EXPORTS. IT IS BELIEVED,
HOWEVER, THAT THE DROP WILL PROVE TO HAVE BEEN TEMPORARY.
END SUMMARY.

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2. A COMPANY THAT PRIDES ITSELF ON DISCOURAGING SALES OF ITS
PRODUCT CAN LOOK BACK ON 1977 AS A GOOD YEAR. THAT IS HOW
GASUNIE, THE SOLE DISTRIBUTOR OF DUTCH NATURAL GAS, REGARDS
1977. SALES DECLINED LAST YEAR FOR THE FIRST TIME SINCE 1963,
THE YEAR GASUNIE WAS ESTABLISHED. (THE RATE OF GROWTH OF
NATURAL GAS SALES HAD BEEN SLOWING SINCE 1974.)

3. BEHIND THE 0.2 PERCENT DROP FROM 94.3 BILLION CUBIC METERS IN 1976 TO 94.1 BILLION IN 1977 WERE EUROPE'S CONTINUING MILD WEATHER, DEPRESSED INDUSTRIAL ACTIVITY AND ENERGY CONSERVATION. DOMESTIC CONSUMPTION LAST YEAR GREW BY NOT MORE THAN ONE PERCENT (TO 44.1 BILLION CUBIC METERS FROM 43.7 BILLION IN 1976). THE MAJOR CAUSE FOR THE LOWER SALES, THEREFORE, WAS THE DROP IN EXPORTS--TO GERMANY, BELGIUM, FRANCE, ITALY AND SWITZERLAND-- OF 1.2 PERCENT (TO 50 BILLION CUBIC METERS FROM 50.6 BILLION IN 1976). AS A CONSEQUENCE, THE SHARE OF EC NATURAL GAS CONSUMPTION USING DUTCH GAS DROPPED TO 46 PERCENT FROM 48 PERCENT IN 1976.

4. SINCE THE 1973 OIL CRISIS GASUNIE SALES FIGURES HAVE CONSISTENTLY FALLEN SHORT OF THE COMPANY'S PROJECTIONS. IN 1977 SALES WERE DOWN FIVE PERCENT ON PROJECTIONS ANNOUNCED EARLIER THAT YEAR (REF B). ALTHOUGH MILD WEATHER AND THE DEPRESSED ECONOMY WERE PARTLY RESPONSIBLE, ANOTHER FACTOR WAS THE COMPANY'S POLICY EMPHASIZING SELECTIVE AND ECONOMIC USE OF NATURAL GAS, GIVING PRIORITY TO DOMESTIC AND HIGH GRADE INDUSTRIAL APPLICATIONS. IN LINE WITH THE GOVERNMENT'S ENERGY POLICY, GASUNIE MAY NOT EXTEND CONTRACTS WITH POWER STATIONS AND INDUSTRY TO USE NATURAL GAS FOR UNDERFIRING PURPOSES, WHILE NEW CONTRACTS FOR HIGH GRADE INDUSTRIAL APPLICATIONS CAN ONLY BE SIGNED UNTIL 1981.

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5. FOR 1978 GASUNIE EXPECTS TOTAL SALES TO RISE BY EIGHT PERCENT TO 102 BILLION CUBIC METERS, OF WHICH 52 BILLION WILL BE EXPORTED. DESPITE A LIMITED FLOW OF GAS FOR INDUSTRIAL PURPOSES, GASUNIE EXPECTS DOMESTIC SALES TO SHOW A FURTHER RISE TO OVER 50 BILLION CUBIC METERS PER YEAR AND TOTAL SALES TO REACH 100 BILLION BEFORE THERE IS ANY LONG TERM LEVELING OFF OR DECLINE. THUS THE 1977 DECLINE IS SEEN AS ONLY TEMPORARY.

6. THE TOTAL VOLUME OF NATURAL GAS RESERVES AVAILABLE TO GASUNIE ON JANUARY 1, 1977 AMOUNTED TO 1,785 BILLION CUBIC METERS, INCLUDING 1,730 BILLION OF PROVEN RESERVES ON THE DUTCH MAINLAND AND THE DUTCH SECTOR OF THE NORTHERN SEA'S CONTINENTAL SHELF. GASUNIE ALSO COUNTS IN ITS RESERVES THE 55 BILLION CUBIC METERS OF GAS IT HAS CONTRACTED TO IMPORT FROM NORWAY OVER 20 YEARS. WITH AN ESTIMATED CUMULATIVE SALES VOLUME DURING THE NEXT 24 YEARS OF 1,655 BILLION CUBIC METERS, THE ESTIMATE OF RESERVES AVAILABLE AFTER 2001 INCREASED FROM THE 100 BILLION PROJECTED IN 1976 (REF D) TO 130 BILLION PROJECTED LAST YEAR. SINCE DOMESTIC CONSUMPTION AFTER 2001 (ESTIMATED AT 45 BILLION CUBIC METERS YEARLY) CANNOT FOR VARIOUS REASONS DROP TO ZERO,

AN APPRECIABLE VOLUME OF NATURAL GAS WILL HAVE TO BE AVAILABLE
TO GUARANTEE A GRADUAL DECREASE OF SUPPLIES AFTER THE PLANNING
PERIOD. ACCORDING TO GASUNIE 500 BILLION DUBIC METERS

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FM AMEMBASSY THE HAGUE
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USEEC ALSO FOR EMBASSY
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OF NATURAL GAS WILL BE REQUIRED OVER AND ABOVE RESERVES
AVAILABLE TODAY. ALTHOUGH ANTICIPATED GAS STRIKES WILL
ADD BETWEEN 400 AND 600 BILLION CUBIC METERS TO PRESENT
RESERVES, THE FUTURE GROWTH OF DUTCH ENERGY CONSUMPTION
(UP 35 PERCENT IN 1985 AND 75 PERCENT IN 2000) WILL MAKE
IT INCREASINGLY NECESSARY TO IMPRT ENERGY, PART OF WHICH
HAS TO BE NATURAL GAS. AS A CONSEQUENCE GASUNIE WILL CON-
TINUE A POLICY OF ACTIVE PURCHASING TO SUPPLEMENT INDIG-
ENOUS RESERVES AND TO EXTEND THE YEARS OF NATURAL GAS USE AS
LONG AS POSSIBLE. LAST YEAR GASUNIE STARTED TO IMPORT
NATURAL GAS FROM THE NROWEGIAN EKOFISK FIELD IN THE NORTH
SEA, AN AREA REGARDED AS THE MAIN SOURCE OF DUTCH GAS
IMPORTS. IN ADDITION GASUNIE SIGNED A 20 YEAR CONTRACT WITH
ALGERIA'S STATE OIL COMPANY SONATRACH FOR THE DELIVERY OF
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80 BILLION CUBIC METERS OF LNG STARTING IN 1984 (REF C),
BRINGING THE TOTAL AMOUNT OF GAS TO BE IMPORTED ANNUALLY TO ABOUT
6.5 BILLION CUBIC METERS. EXPLORATORY NEGOTIATIONS FOR THE
IMPORT OF LNG FROM NIGERIA SO FAR HAVE BEEN UNSUCCESSFUL.

7. TOTAL INVESTMENTS BY GASUNIE IN 1978 WILL RISE
TO 500 MILLION GUILDERS (ONE DOLLAR NOW EQUALS 2.16 GUILDERS),
A CONSIDERABLE INCREASE COMPARED TO THE 300 AND 250 MILLION
GUILDERS INVESTED IN 1977 AND 1976, RESPECTIVELY. INVEST-
MENTS BY GASUNIE WILL CONTINUE TO FOCUS ON PIPELINE CON-
STRUCTION, DISTRIBUTION STATIONS AND GAS TREATMENT PLANTS.
BROWN

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